

The complaint

Mr S complains that TSB Bank plc was irresponsible in its lending to him.

What happened

Mr S was provided with a £8,000 fixed sum loan agreement by TSB in September 2023. The loan term was 60 months and Mr S was required to make monthly repayments of £215.53. He said that the loan had been lent irresponsibly.

TSB issued a final response to Mr S's complaint. It explained that when Mr S applied for the loan it used credit scoring to assess his application. It said it took into account information about how Mr S managed his accounts with it as well as information from the credit reference agencies. It said that at the time of the loan being provided Mr S was in receipt of a regular income and based on its affordability assessment the loan repayments appeared affordable.

Mr S referred his complaint to this service.

Our investigator noted that Mr S was a long-standing customer of TSB and so TSB had access to his bank statements and could assess his account conduct. He thought this, along with the data received from the credit reference agencies, meant that TSB had gathered a reasonable amount of information before making the lending decision. He then assessed what was identified through the checks and found this suggested the loan to be affordable.

Therefore, he didn't uphold this complaint.

Mr S didn't agree with our investigator's view. He said that TSB had access to his accounts and would have seen that his overdraft fluctuated regularly with large sums coming both in and out. He said his statements also showed numerous gambling transactions which should have raised concerns that the lending may not be responsible or affordable. He noted that TSB refunded him his overdraft fees for this period which he believed showed it acknowledged some liability.

As a resolution wasn't agreed, this complaint was passed to me, an ombudsman to issue a decision.

My provisional conclusions

I issued a provisional decision upholding this complaint the details of which are set out below.

Before the loan was provided TSB has said that it carried out credit scoring which involved considering how Mr S managed his accounts with it and information from the credit reference agencies. As Mr S banked with TSB, this gave it full access to Mr S's accounts showing his income and expenditure as well as his account conduct. Additional to this a credit check was carried out. I find that TSB had access to a reasonable amount of information for proportionate checks to take place before the lending was provided.

I haven't seen the results of the credit check but as Mr S's account statements have been provided and were available to TSB at the time of the lending, I have looked through the information these contain to understand whether they raised concerns that the lending may not be affordable for Mr S or if they identified other issues that meant the lending shouldn't have been provided.

I have based my assessment on the three months leading up to the lending being provided. During this period Mr S was receiving a regular income above the £2,100 that TSB said Mr S included in his application. He was making regular payments for rent, utilities, communications contracts, insurance, other credit commitments and memberships. These averaged around £1,100 a month. Additional to this Mr S was paying for general living expenses such as food and transport. Based on these figures, I agree that the loan, with repayments of around £216 a month, appeared affordable.

However, TSB has said that part of its review included assessing Mr S's account conduct. Having looked through Mr S's statements from the time, he was often operating close to his overdraft (which had been increased twice in June 2023 and once in July 2023 although I note it was reduced in September 2023). While his monthly income reduced the overdraft it didn't clear it. I think this could suggest that Mr S was struggling financially and potentially reliant on credit.

Additional to this, Mr S's statements show a large amount of gambling transactions through the months leading up to the lending. Mr S was making multiple payments, with many made straight after he received his salary, to gaming and gambling sites. In July and August 2023 he spent almost a quarter of his income on gaming (around £500) and in June 2023 he had spent a much higher amount on a combination of gaming and gambling. While the individual amounts were small there were many transactions with Mr S appearing to spend up to the limit of his funds. I think this behaviour should have raised concerns about Mr S's ability to manage his money and his financial stability and that further questions should have been asked.

I cannot say for certain what Mr S would have declared had he been asked about his spending. But as part of this investigation, we have asked Mr S to provide further details of his circumstances at the time the loan was provided. He has explained that he was struggling with his mental health and his gambling had escalated. He said he was making frequent deposits with gambling platforms and spending his salary as soon as this came in. This is supported by his statements. Based on this, I think that had further questions been asked before the loan was provided, TSB would have realised that Mr S was struggling financially and that providing him with further credit at that time wasn't responsible.

I note Mr S's overdraft limit was reduced around the time of the loan, but TSB hasn't said the loan was intended for debt consolidation and the purpose was recorded as 'other'. Mr S has said that when he applied for the loan, he had hoped to consolidate his debts, but he was overwhelmed by his commitments and his mental health and gambling issues meant the loan became additional debt which made his situation worse.

So, as TSB had access to Mr S's bank statements and it said it checked his account conduct, I think that it should have been reasonably aware that providing further credit to Mr S wasn't responsible at this time. Because of this I intend to uphold this complaint.

I've also considered whether TSB acted unfairly or unreasonably in some other way given what Mr S has complained about, including whether its relationship with him might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr S in the circumstances of

his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Mr S responded to my provisional decision noting that he would still be responsible for the repayment of the amount he had borrowed and the long-term impact of this on him.

TSB responded not agreeing with my provisional decision. It said that the loan applied for was affordable for Mr S and its checks confirmed this. It noted the loan reduced Mr S's overdraft balance and said this reduced his interest resulting in a benefit to him.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr S complained that TSB Bank had acted irresponsibly by providing him with an overdraft and loan. This decision is in regard to the loan.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

While I note the comments provided in response to my provisional decision, my conclusions haven't changed. I understand why Mr S is concerned about the need to repay the amount he borrowed but as he had the use of the money I find it fair that he repays this. I would, as set out below, expect TSB to work with him to arrange an affordable and suitable payment plan and to treat Mr S positively and sympathetically through this process.

I understand that TSB doesn't agree with my outcome and has reiterated that the loan was affordable based on its checks. But as I explained in my provisional decision, while I accept the checks suggested the loan repayments were affordable, TSB said that part of its review included assessing Mr S's account conduct. Mr S's statements from the time, showed he was often operating close to his overdraft (which had been increased twice in June 2023 and once in July 2023) and was making multiple payments, with many made straight after he received his salary, to gaming and gambling sites. In July and August 2023 he spent almost a quarter of his income on gaming (around £500) and in June 2023 he had spent a much higher amount on a combination of gaming and gambling. While the individual amounts were small there were many transactions with Mr S appearing to spend up to the limit of his funds. I think this behaviour should have raised concerns about Mr S's ability to manage his money and his financial stability and that further questions should have been asked. And, I think that had further questions been asked before the loan was provided, TSB would have realised that Mr S was struggling financially and that providing him with further credit at that time wasn't responsible.

I note TSB's comment about the loan reducing Mr S's overdraft but it isn't clear that the loan was intended for debt consolidation. Mr S has said that when he applied for the loan, he was overwhelmed by his commitments and his mental health and gambling issues meant the loan became additional debt which made his situation worse.

Based on all of the above, and for the reasons I have explained, I am upholding this complaint. Because of this I find that Mr S shouldn't be required to repay any more than the amount he borrowed.

Putting things right

As I do not find that TSB should have provided the loan, Mr S shouldn't be required to repay any more than the amount he borrowed. TSB should add up the total amount of money Mr S received from the loan. The repayments Mr S has made should be deducted from this amount.

- If this results in Mr S having paid more than he received, any overpayments should be refunded along with 8% simple interest* (calculated from the date the overpayments were made until the date of settlement). Any adverse information should be removed from Mr S's credit file.
- If any capital balance remains outstanding, then TSB should arrange an affordable and suitable payment plan with Mr S. Once the loan has been repaid, any adverse information should be removed from his credit file.

*HM Revenue & Customs requires TSB to take off tax from this interest. TSB must give Mr S a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that TSB Bank plc should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 24 March 2025.

Jane Archer
Ombudsman